

---

## SENATE COMMITTEE ON TRANSPORTATION

Senator Lena Gonzalez, Chair

2021 - 2022 Regular

---

**Bill No:** SB 381

**Hearing Date:** 4/27/2021

**Author:** Portantino

**Version:** 3/9/2021

**Urgency:** Yes

**Fiscal:** Yes

**Consultant:** Amy Gilson

**SUBJECT:** Surplus residential property: priorities and procedures: City of South Pasadena

**DIGEST:** This bill makes changes to the Roberti Act to encourage the sale of homes owned by Caltrans for low- and moderate-income rental housing in the State Route 710 corridor in South Pasadena.

### **ANALYSIS:**

#### *Existing law:*

- 1) Allows Caltrans to acquire any real property that it considers necessary for state highway purposes.
- 2) Allows Caltrans, whenever it determines that any real property acquired by the state for highway purposes is no longer necessary, to sell or exchange it in the manner and upon terms, standards, and conditions established by the California Transportation Commission.
- 3) Requires Caltrans, to the greatest extent possible, to offer to sell or exchange excess real property within one year from the date that it determines the property is excess.
- 4) Generally requires state and local agencies, prior to disposing of excess lands, first to offer property for sale or lease to local public agencies, housing authorities, or redevelopment agencies within whose jurisdiction the property is located. Requires Caltrans to give priority first to entities agreeing to use the land for low- or moderate-income housing then to entities for open-space purposes, school facilities construction, enterprise zone purposes, and infill opportunities, in that order.

*The Roberti Act*

- 5) Provides an exception from these provisions for the disposal of excess residential properties in the unconstructed portion of the SR 710 corridor, i.e., the portion of SR 710 addressed in this bill. According to this exception, excess residential properties in this corridor are to be sold in the following priority order:
  - a) First, homes presently occupied by their former owners must be offered for sale to the occupant at fair market value.
  - b) Second, homes are to be offered to present occupants that have lived in the property for at least two years and who are persons and families of low or moderate income at an affordable price, but not less than the acquisition price or more than fair market value;
  - c) Third, homes must be offered for sale to present occupants that have lived in the home for more than five years and whose household income does not exceed 150 percent of the area median income at an affordable price, but not less than the acquisition price or more than fair market value;
  - d) Then, homes not sold under these terms must then be offered to housing-related private and public entities for a price which is best suited economically to using the property for low- or moderate-income housing or, if the property is a historic home, it may be offered to a nonprofit entity dedicated to maintaining it for public access; and,
  - e) Any excess homes not sold pursuant to these provisions are then to be sold at fair market value with first priority given to purchasers who are present occupants, second to former tenants in good standing, and then to purchasers who will be owner occupants.
- 6) Directs 50 percent of the revenue collected by Caltrans from rental of historic property that is located in a freeway right-of-way corridor to be deposited in the Historic Property Maintenance Fund to pay for costs associated with maintenance and operation of the historic properties.
- 7) As set forth in regulations, establishes an Affordable Rent Program by which Caltrans considers affordability when adjusting rents for current residential tenants who are economically disadvantaged.

**This bill:**

- 1) Amends the Roberti Act order of sale for SR 710 surplus residential properties in South Pasadena to provide that, after single-family surplus residential properties have been offered for sale to the present tenants who meet specified requirements, properties will be offered to present occupants, who will have 180 days from the effective date of this bill to close on the property.
- 2) Single family properties that are not purchased by present tenants, as described above, and all other occupied unoccupied, and unimproved surplus residential properties are offered to the City of South Pasadena.
- 3) Set out the following procedures for disposing of properties offered and sold to the City of South Pasadena:
  - 1) Requires the property to be offered to the City of South Pasadena for the original acquisition priced, not adjusted for inflation, paid by the Caltrans,
  - 2) Specifies that these properties be sold in “as-is” condition,
  - 3) Requires the City to do the following for each property they purchase:
    - i. Cause the property, and any new units added to the property, to be used for low- or moderate-income ownership or rental housing for a term of at least 55 years, including if the property is sold prior to the expiration of the 55 years.
    - ii. Construct one unit of new low- or moderate-income residential housing outside the SR 710 corridor if the property purchased must be demolished and it is cost-prohibitive to construct a new residence on-site or if the property was unimproved and planned for a park, garden, or open space.
- 4) Require the City of South Pasadena to close on all the properties they purchase in a single closing transaction.
- 5) Authorizes the City of South Pasadena to sell, for the purchase price plus any cost paid for property rehabilitation, a property to a city-approved housing-related private or public entity.

- 6) Requires the City of South Pasadena to reinvest all proceeds for the city's sale of any SR 710 property into low-income and moderate-income housing.
- 7) Requires Caltrans to adopt, emergency regulations to implement these provisions within 60 days of the effective date of this bill.

**COMMENTS:**

- 1) *Purpose.* According to the author, "SB 381 would allow for more local control over the disposition of the state-owned properties along the SR 710 corridor and put the City of South Pasadena in a much better position to safeguard and champion the interests of their community. SB 381 seeks to expeditiously provide existing and qualified Caltrans tenants the opportunity to purchase while at the same time allowing the City and their housing partners to acquire and renovate the unoccupied properties. This bill allows for an economically viable solution for the city as SB 381 would require Caltrans to sell those properties at original acquisition price and will enable them to opportunity to shape and restore housing for decades to come. A common goal shared by everybody is to get Caltrans out of the property management business and this bill helps execute that goal."
- 2) *Caltrans-owned properties in the SR 710 corridor.* Beginning in the 1950s, Caltrans began acquiring property by eminent domain for the purpose of extending the SR 710 freeway through Alhambra, El Sereno, South Pasadena, and Pasadena. Local political opposition stalled the project, at which point Caltrans began renting the residential properties. Caltrans currently owns over 400 properties in the corridor, most of them single-family homes.

Property management of the homes in the SR 710 corridor has created long-standing tension between SR 710 corridor tenants and Caltrans. Over the years, tenants argued that Caltrans inadequately maintained the homes and failed to make appropriate improvements. Caltrans argued that the homes were being rented on a temporary basis and were expected to be razed to make way for freeway construction; hence, homes were kept up to health and safety standards, but long-term improvements were not a reasonable expense of public funds.

- 3) *The SR 710 extension project is not moving forward, so the Caltrans properties along this corridor are now surplus.* While, over the past fifty years, alternative concepts have been proposed and evaluated to build the SR 710 freeway between I-10 and I-210, community members, particularly residents of Pasadena, have opposed the freeway project because of concerns about the impact of the freeway on their community.

In 2018, the Los Angeles County Metropolitan Transportation Authority and Caltrans identified transportation system management and transportation demand management as a transportation alternative to the freeway gap closure. This solution does not require demolition of these homes. Last year, legislation restricted Caltrans from pursuing freeway gap closure. As such, many of these properties are no longer needed for the transportation project and are now surplus. Caltrans has begun disposing of properties. So far, it has sold 22 parcels in the SR 710 corridor across El Sereno in LA, Pasadena, and South Pasadena.

According to information provided by the author's office, there are 68 properties affected by SB 381 – 56 single family and 10 multifamily. The author has held community meetings to discuss the disposition of these properties. Public input may continue to help shape the bill and the implementation strategy details.

- 4) *SB 381 amends the process for the sale of Caltrans properties in the City of South Pasadena with the intent to move properties quickly and increase opportunities for affordable housing.*

*Order of sale.* The Roberti Act sets out the priority order in which residential surplus properties may be sold in the SR 710 corridor. Under current law, single-family homes must be offered to (1) the former owners, (2) present occupants who have occupied the property two years or more who are low or moderate income, (3) present occupants who have occupied the units for five or more years whose incomes do not exceed 150 percent of the area median income (AMI), (4) a housing-related private or public entity, (5) any present tenants, and finally, (6) former tenants.

This bill amends the order of sale in the City of South Pasadena. Rather than offering properties to a housing-related entity, properties would instead be offered to any current resident (even if they are above the income threshold in current law)

***The author and committee may wish to consider amending the bill to clarify that properties offered to current residents above the affordable income threshold shall be offered at fair market value, and that tenants must have occupied the property for five years or more and be in good standing.***

***Should the bill move forward, the author many wish to consider clarifying the order and condition of sale for historic Caltrans properties in South Pasadena.***

Finally, properties would be offered to the City of South Pasadena. The City may sell the property to a housing-related entity for the purposes of providing low- or moderate-income housing. SB 381 does not affect the other of sale in the City of Los Angeles or in Pasadena. A different bill, SB 51 addressed the sale of SR 710 properties in the City of Los Angeles.

*Sales Price and Conditions.* The Roberti Act requires properties to be sold at the fair market value. For low and moderate income households, the price must be affordable. The properties cannot be sold for less than what Caltrans originally paid for the home. If sold to a housing related entity, current law requires Caltrans to sell it at a reasonable price, which is best suited to using the property as affordable housing. The price falls between the floor (the original purchase price) and the ceiling (fair market value).

While promulgating regulations for the sale of these properties, Caltrans determined it was legally obligated to adjust its original purchase prices for inflation to determine a minimum sales price for affordable sales. This inflation-adjusted minimum was sometimes above what a tenant could actually afford. However, this adjustment was not described in the Roberti regulations and, in a 2018 lawsuit brought by some affordable price buyers; the court ruled this adjustment was an unenforceable underground regulation. Caltrans subsequently implemented the inflation adjustment through emergency regulations. This bill clarifies that the sales price floor is the original acquisition price not adjusted for inflation.

SB 381 aims to make it easier for Caltrans to sell the South Pasadena properties by allowing the city to buy a property at the original price in exchange for keeping them affordable. For a property sold to the city, Caltrans would be required to offer the property at acquisition price without adjusting for inflation. For their part, the city would be required to record a 55-year affordability covenant on the property, which would hold if the city sold the property to a housing-related entity. In addition, any new units added to a property, must be restricted to low- and moderate-income households.

*The author and committee may wish to consider amending the bill to clarify that first right of occupancy will be preserved for present tenants.*

- 5) *Keep it moving.* This bill gives all residents an opportunity to purchase the property they rent within 180 days of the effective date of this bill. It would then require the city to purchase any of the remaining SR 710 properties they chose to purchase in a single transaction. It also requires Caltrans to adopt emergency regulations to implement the bill's provisions within 60 days of its

effective date.

*In order to provide enough time for purchases to take place, the author and committee may wish to consider amending the bill to instead provide 274 days (9 months) from the time Caltrans adopt emergency regulations implementing this bill.*

- 6) *Urgency measure and other 710 bills.* SB 381 is an urgency measure, as was SB 51, which had heard earlier this year by the Senate Transportation Committee and which applied to SR 710 properties in the City of LA. SB 381 differs from SB 51 by compressing the timeline for Caltrans to adopt emergency regulations and for current tenants to consider purchasing their residence. Both bills ensure that current tenants in good standing, as specified, have the opportunity to purchase their residence before it is offered to a third party. The main difference between the two is in the next step: SB 381 then has Caltrans offer the properties to the City of South Pasadena while SB 51 instead requires Caltrans to offer the properties to a housing related entity.

#### **RELATED LEGISLATION:**

**SB 51 ( Durazo, 2021)** — This bill makes changes to the Roberti Act to encourage the sale of homes owned by Caltrans for low- and moderate-income rental housing in the State Route 710 corridor in the El Sereno neighborhood of City of Los Angeles (LA). *SB 51 is pending on the Assembly Floor.*

**SB 9 (Durazo, 2020)** — This bill would have made changes to the Roberti Act to encourage the sale of homes owned by Department of Transportation (Caltrans) for low- and moderate-income rental housing and makes changes to the Surplus Land Act. This bill died on the inactive file in the Senate.

**SB 7 (Portantino, Chapter 835, Statutes of 2019)** — This bill restricted the California Department of Transportation (Caltrans) from considering a freeway or tunnel as a feasible alternative for State Route (SR) 710 between Interstate (I-) 10 and I-210, and makes other changes related to the SR 710 corridor.

**AB 29 (Holden, Chapter 791, Statutes of 2019)** — This bill restricts the California Department of Transportation (Caltrans) from considering a freeway or tunnel as a feasible alternative for State Route (SR) 710 between Interstate (I-) 10 and I-210, and redefines, as of January 1, 2024, which portions of SR 710 are included in the state freeway and expressway system to exclude the section of SR 710 generally between I-10 and I-210.

**SB 400 (Potantino, Chapter 568, Statutes of 2017)** — This bill prohibits the California Department of Transportation (Caltrans) from increasing the rent of tenants who are participants in Caltrans' Affordable Rent Program and residing in surplus residential properties within the State Route (SR) 710 corridor.

**SB 416 (Liu, Chapter 468, Statutes of 2013)** — This bill made a number of changes to the Roberti Act, which governs the sale of surplus property in the SR 710 corridor, including authorization for the Department of Transportation (Caltrans) to sell properties in an "as-is" condition to specified income-qualified persons. The bill also required the proceeds from the sale of those properties to be deposited into a newly created continuously appropriated fund, rather than the State Highway Account, for purposes of providing repairs to remaining properties until the last property is sold.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**POSITIONS:** (Communicated to the committee before noon on Wednesday, April 21, 2021.)

**SUPPORT:**

Heritage Housing Partners

**OPPOSITION:**

Two individuals

**-- END --**